

COCHISE HEALTH SYSTEMS

Financial Statements

and

Supplemental Information

June 30, 2010

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Independent Auditors' Report

The Board of Supervisors of  
Cochise County, Arizona

We have audited the accompanying financial statements of Cochise Health Systems (the Plan), a proprietary fund of Cochise County, Arizona, as of June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only Cochise Health Systems and do not purport to, and do not, present fairly the financial position of Cochise County, Arizona, as of June 30, 2010, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cochise Health Systems as of June 30, 2010, and the changes in its financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Plan taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Fester & Chapman P.C.*

October 26, 2010

Cochise Health Systems

STATEMENT OF NET ASSETS  
ENTERPRISE FUND

June 30, 2010

ASSETS

Current assets:

Cash and cash equivalents	\$ 13,025,660
Reinsurance receivable	<u>648,331</u>
Total current assets	13,673,991

Noncurrent assets:

Capital assets:

Furniture, equipment and vehicles	158,707
Accumulated depreciation	<u>(112,318)</u>
	<u>46,389</u>

Total assets	<u>13,720,380</u>
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LIABILITIES AND EQUITY

Current liabilities:

AHCCCS member care liabilities	3,551,606
Accounts payable	180,179
Accrued payroll and related expenses	228,141
Capitation and reconciliations payable	<u>131,681</u>
Total current liabilities	4,091,607

Net assets:

Invested in capital assets	46,389
Restricted for health care	1,804,000
Unrestricted	<u>7,778,384</u>
Total net assets	<u>\$ 9,628,773</u>

The accompanying notes are an integral part of this statement.

Cochise Health Systems

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
ENTERPRISE FUND

Year Ended June 30, 2010

Operating revenues:

Capitation and share of cost reconciliation	\$ 34,199,449
PPC capitation	76,119
Reinsurance	992,787
Patient contributions	23,575
Third party liability	5,950
Other	<u>8,019</u>
Total operating revenues	35,305,899

Operating expenses:

Acute care:

Hospitalization	1,476,874
Primary care physician	374,361
Outpatient facility	302,994
Referral physician services	508,984
Pharmacy	576,817
Lab and radiology	163,577
Transportation	826,719
Therapies	143,473
Emergency services	293,223
Durable medical equipment	497,144
Outpatient behavioral health	118,919
PPC acute care	25,611
Dental	33,862
Other acute care costs	<u>12,470</u>
Total acute care	<u>5,355,028</u>

Institutional care:

Nursing home ICF and bedholds	9,254,774
SNF Level I	4,605,710
SNF Level II	1,098,386
SNF Level III	618,720
Institutional care	393,841
PPC institutional expenses	<u>158,696</u>
Total institutional care	<u>16,130,127</u>

(Continued)

The accompanying notes are an integral part of this statement.

Cochise Health Systems

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
ENTERPRISE FUND

Year Ended June 30, 2010  
(Continued)

Home and community based services:

Home health nurse	\$ 331,120
Personal care	79,247
Homemaker	75,130
Home delivered meals	94,573
Respite care	13,999
Attendant care	4,888,778
Assisted living in-home	944,592
Adult day care	9,270
Adult foster care	253,839
Environmental modifications	21,401
HCBS placement reconciliation	6,944
Assisted living center	736,546
Other HCBS	11,604
PPC HCBS	27,697
Total home and community based services	<u>7,494,740</u>

Case management:

Case management payroll and payroll related	1,214,005
Case management, other	19,130
Total case management	<u>1,233,135</u>

Other medical expenses:

Ventilator dependent	<u>95,384</u>
Total other medical expenses	<u>95,384</u>
Total medical expenses	<u>30,308,414</u>

(Continued)

The accompanying notes are an integral part of this statement.

Cochise Health Systems

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
ENTERPRISE FUND

Year Ended June 30, 2010

(Continued)

Administration expenses:	
Administrative payroll and payroll related	\$ 1,525,465
Data processing	230,989
Professional fees	38,518
Occupancy	19,615
Other	761,545
Depreciation	<u>14,965</u>
Total administration expenses	<u>2,591,097</u>
Total operating expenses	<u>32,899,511</u>
Operating income	2,406,388
Nonoperating revenues (expenses)	
Loss on disposal of assets	(452,091)
Interest income	170,443
Premium tax	<u>(730,447)</u>
Total nonoperating revenues (expenses), net	<u>(1,012,095)</u>
Income before transfers	1,394,293
Transfers to Cochise County	<u>(1,400,000)</u>
Decrease in net assets	(5,707)
Total net assets, July 1, 2009	<u>9,634,480</u>
Total net assets, June 30, 2010	<u>\$ 9,628,773</u>

The accompanying notes are an integral part of this statement.

Cochise Health Systems

STATEMENT OF CASH FLOWS  
ENTERPRISE FUND

Year Ended June 30, 2010

Cash flows from operating activities:

Cash received from:

Contractors, patients, and other payors	\$ 36,602,748
Miscellaneous operations	37,544

Cash payments to:

Providers for health care services	(28,930,263)
Suppliers for goods and services	(1,012,729)
Employees for services	<u>(2,639,337)</u>

Net cash provided by operating activities 4,057,963

Cash flows from noncapital financing activities:

Cash transfers to other Cochise County funds	(1,400,000)
Premium tax payments	<u>(730,447)</u>

Net cash used for noncapital financing activities (2,130,447)

Cash flows from investing activities:

Interest received on cash and cash equivalents	<u>170,443</u>
Net cash provided by investing activities	<u>170,443</u>

Net increase in cash and cash equivalents 2,097,959

Cash and cash equivalents at July 1, 2009 10,927,701

Cash and cash equivalents at June 30, 2010 \$ 13,025,660

Reconciliation of operating income to net cash provided by  
operating activities:

Operating income \$ 2,406,388

Adjustments to reconcile net income to net  
cash provided by operating activities:

Depreciation 14,965

Changes in assets and liabilities:

Reinsurance receivable	1,135,122
Receivable from AHCCCS	168,206
AHCCCS member care liabilities	164,106
Capitation and reconciliations payable to AHCCCS	30,935
Accounts payable and accrued administrative expenses	<u>138,241</u>

Total adjustments 1,651,575

Net cash provided by operating activities \$ 4,057,963

Supplemental disclosure:

Interest paid none

The accompanying notes are an integral part of this statement.



Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - GENERAL PLAN DESCRIPTION

The financial statements presented are for Cochise Health Systems (the Plan), which is a division of Cochise County Department of Aging and Social Services. No other County operations are included in these financial statements. The Plan is party to an Arizona Long-Term Care System (ALTCS) contract for Cochise County residents that was awarded to Cochise County on November 1, 1993, and the Graham and Greenlee Counties' ALTCS contracts that were awarded to Cochise County on December 13, 1999, and October 1, 2001, respectively. These contracts are administered under the auspices of the Arizona Health Care Cost Containment System (AHCCCS). The Plan provides acute medical care, long-term institutional care, and home and community based services for physically disabled and elderly persons who are AHCCCS members and are at risk of institutionalization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Fund

A Fund is described as an independent fiscal and accounting entity with a self-balancing set of accounts used to record assets, related liabilities, reserves and equities which are segregated for the purpose of carrying on activities of the reporting entity.

Proprietary (Enterprise) Fund

This fund type is used to account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The financial statements were prepared using the accrual basis of accounting, following accounting principles U.S. generally accepted accounting principles as they apply to enterprise funds of state and local governments, and following the reporting guidelines as established by AHCCCS.

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTANT POLICIES – CONTINUED

Pronouncements of GASB and FASB

Government Accounting Standards Board (GASB) Statement No. 20 states that Financial Accounting Standards Board (FASB) and its predecessor body pronouncements issued before November 30, 1989, continue to be applicable to Enterprise Funds unless they conflict with or contradict GASB guidance.

Enterprise Funds may take either of the following approaches to FASB guidance issued subsequent to November 30, 1989.

1. An entity may elect to continue to follow FASB guidance that does not conflict with or contradict GASB guidance. If this election is made, it must be followed consistently. It would not be appropriate to follow some FASB pronouncements issued subsequent to the cutoff date, but not others.
2. An entity may elect not to subject itself to FASB guidance issued subsequent to the cutoff date. In that case, even FASB amendments of guidance issued prior to the cutoff date would not be applicable to proprietary operations.

The Plan has elected to subject itself to FASB guidance issued subsequent to November 30, 1989.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTANT POLICIES - CONTINUED

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Plan considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the Plan's monies are under the direct supervision of the Cochise County Treasurer's Office and were fully collateralized or invested in the Arizona State Treasurer's Local Government Investment Pool (LGIP).

Revenue Recognition

a. Capitation Revenue

The Plan receives capitation payments under the AHCCCS contract based on member months equivalents. At the beginning of each month, the Plan receives capitation based on the number of members enrolled for that month. As members are added or removed from enrollment, capitation is adjusted for the remaining portion of the month. At any given time, capitation may be due to or due from AHCCCS. Capitation revenue is recognized in the month that members are entitled to long-term and acute health care services. The Plan is required to provide those services to its members, regardless of the cost of care provided.

b. Reinsurance Revenue

The Plan is entitled to receive reinsurance revenue from AHCCCS for a percentage of costs incurred for in-patient hospital care and certain other medical expenses in excess of a stated deductible per member per contract year.

c. Share of Cost Adjustment

Per the contract with AHCCCS, members with income in excess of standards set by AHCCCS are to pay a portion of their covered expenses. This is known as a Share of Cost (SOC). A portion of the Plan's capitation is based on assumed SOC per member per month. If actual assigned SOC is less than assumed SOC, AHCCCS has agreed to reimburse the Plan. If actual assigned SOC is greater than assumed SOC, the Plan has agreed to reimburse AHCCCS. The SOC adjustment is based on current assigned SOC information from AHCCCS.

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTANT POLICIES - CONTINUED

Furniture, Equipment and Vehicles

Furniture, equipment and vehicles in excess of \$5,000 are recorded at cost and depreciated using straight-line and accelerated methods over the estimated useful lives of the assets ranging from 3-7 years.

Income Taxes

The Plan is a division of a governmental entity, and as such does not pay income taxes. Therefore, no provision for income taxes has been made in these statements.

Medical Expenses

All medical expenses are reported net of Medicare payments.

NOTE 3 - BONDING MECHANISM

On September 20, 1993, the Cochise County Board of Supervisors adopted Resolution 93-99 pledging to provide financial backing as an ALTCS program contractor, in the event of a default by the Plan. On November 22, 1999, the Cochise County Board of Supervisors adopted Resolution 99-80 amending Resolution 93-99 to include the addition of Graham County in the Cochise County ALTCS program service area. Effective October 1, 2001 Resolution 01-61 was adopted by the Board of Supervisors amending the previous resolutions to include Greenlee County.

NOTE 4 - RETIREMENT PLAN

Plan Description

The Plan contributes to the Arizona State Retirement System (ASRS), which administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of Cochise County. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 4 - RETIREMENT PLAN-CONTINUED

The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling:

ASRS

3300 N. Central Avenue  
P.O. Box 33910  
Phoenix, AZ 85067-3910  
(602) 240-2000 or (800) 621-3778

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the Plan's contribution rates.

For the ASRS fiscal year ended June 30, 2010, active ASRS members and the Plan were each required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The Plan's contributions to ASRS for the years ended June 30, 2010, 2009 and 2008 were \$184,282, \$175,615, and \$185,160, respectively, which was equal to the required contributions for each respective year.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and equipment	\$ 497,186		\$ (452,091)	\$ 45,094
Vehicles	129,671		(16,058)	113,613
Less accumulated depreciation	<u>(113,717)</u>	<u>\$ (14,965)</u>	<u>16,364</u>	<u>(112,318)</u>
Total capital assets, net	<u>\$ 513,140</u>	<u>\$ (14,965)</u>	<u>\$ (451,786)</u>	<u>\$ 46,389</u>

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 6 – CLAIMS PAYABLE

The Plan utilizes a computerized authorization system to aid in the determination of received but unpaid claims (RBUCs) and to prevent unauthorized services from being rendered. Providers are required to obtain authorization before services are rendered for most services provided. The Plan then uses historical analysis reports from their computer system to generate lag reports. These lag reports are used to estimate incurred but not reported claims (IBNRs). IBNRs are then added to RBUCs to determine claims payable. In addition, incentives of up to 2% of claims paid to institutional care providers can be earned and are accrued as claims payable.

Claims payable at June 30, 2010, consisted of the following:

Medical claims payable	\$ 3,506,606
Prior period coverage payable	5,000
Institutional care incentives	<u>40,000</u>
Total claims payable	<u>\$ 3,551,606</u>

NOTE 7 - RESTRICTED NET ASSETS

Per the contract with AHCCCS, the Plan is required to retain in equity an amount equal to \$2,000 per enrolled member at year-end. Restricted net assets totaled \$1,804,000 at June 30, 2010. The balance of any equity may be distributed after the issuance of the audited financial statements, with AHCCCS's permission. During the year ended June 30, 2010, the Plan transferred \$1,400,000 to Cochise County's general fund.

NOTE 8 - OTHER ADMINISTRATION

Following is a summary of other administration expenses for the year ended June 30, 2010:

Office supplies	\$ 22,070
Insurance	5,863
Minor equipment	4,881
Telephone	12,823
Travel and training	2,544
Dues and licenses	8,894
County overhead	657,315

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 8 - OTHER ADMINISTRATION - CONTINUED

Postage	17,207
Printing	5,053
Equipment lease	20,845
Other	<u>4,050</u>
	<u>\$ 761,545</u>

NOTE 9 - RELATED PARTY TRANSACTIONS

The Plan incurred administration fees from Cochise County of \$657,315 for the year ended June 30, 2010. At June 30, 2010, the Plan owed the County \$178,436. The Plan's employees are employees of the County and are subject to all rules and regulations of Cochise County.

NOTE 10 - RECONCILIATIONS RECEIVABLE FROM/(PAYABLE TO) AHCCCS

The amounts due from/(to) AHCCCS at June 30, 2010, are as follows:

HCBS	\$ (109,230)
Share of cost	<u>(22,449)</u>
Total	<u><u>\$(131,681)</u></u>

NOTE 11 - SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through October 26, 2010, the date which the financial statements were available to be issued, and has concluded that no events have occurred since the year ended June 30, 2010 that would require an adjustment to or disclosure in the financial statements.

## SUPPLEMENTAL INFORMATION



Appendix 6.1.1

Program Contractor Financial Reporting Systems - Report #1 Statement of Financial Position, Net Assets or Balance Sheet

Program Contractor COCHISE HEALTH SYSTEMS

Quarter Ending 06/30/10

Fiscal Year Ending 06/30/10

Account #	Account Description	Balance
<b>Current Assets:</b>		
105	Cash and Cash Equivalents	\$ 13,005,659.93
110	Short-Term Investments	
115	Capitation Receivable from AHCCCS	
120	Reinsurance Receivable from AHCCCS:	\$ 648,330.73
125	Investment Income Receivable	
130	Current Due from Affiliates	
135	Other Current Receivables (Report #3)	\$ (22,451.39)
140	Other Current Assets (Report #3)	\$ 20,000.00
Total Current Assets:		\$ 13,651,539.27
<b>Other Assets:</b>		
145	General Performance Bond	
150	Restricted Cash and Other Assets	
155	Long-Term Investments	
160	Non-Current Due from Affiliates	
165	Other Non-Current Assets (Report #3)	
Total Other Assets		\$ -
<b>PROPERTY AND EQUIPMENT:</b>		
170	Land	
175	Buildings	
180	Leasehold Improvements	
185	Furniture & Equipment	\$ 45,093.39
190	Other Property & Equipment (Report #3)	\$ 113,614.19
195	Accumulated Depreciation & Amortization	\$ (112,317.80)
Net Property & Equipment:		\$ 46,389.78
Total Assets:		\$ 13,697,929.05
<b>Current Liabilities:</b>		
205	Accounts Payable	180,179.48
210	Accrued Administrative Expenses	228,141.47
215	Capitation Payable	
220	Medical Claims Payable	3,511,605.68
225	Other Current Payables (Report #3)	109,229.54
230	Current Portion of Long-Term Debt (Report #3)	
235	Current Due to Affiliates	
240	Other Current Liabilities (Report #3)	40,000.00
Total Current Liabilities:		4,069,156.17
<b>Other Liabilities:</b>		
245	Non-Current Portion of Long-Term Debt (Report #3)	
250	Non-Current Due to Affiliates	
255	Other Non-Current Liabilities (Report #3)	
Total Other Liabilities:		
Total Liabilities:		
<b>Equity/Net Assets (Liabilities):</b>		
505	Preferred Stock	
510	Common Stock	
515	Treasury Stock	
520	Unrestricted Net Assets	
525	Restricted Net Assets	
527	Additional Paid-in Capital	
528	Contributed Capital	
530	Retained Earnings/Net Assets (Liabilities)	
Net Equity/Net Assets (Liabilities):		9,628,772.88
Total Liability & Equity:		13,697,929.05

**Program Contractor**  
**Quarter Ending**  
**Fiscal Year Ending**

**COCHISE HEALTH SYSTEMS**  
**06/30/10**  
**06/30/10**

		CURRENT QUARTER		YEAR TO DATE	
Account #	Account Description	Total Amount	Total PMPM	Total Amount	Total PMPM
Revenues:					
300	Capitation	8,513,540.53	3,140.37	34,299,561.58	3,762.15
305	PPC Capitation		-	-	-
310	Reinsurance	398,094.01	146.84	992,787.00	108.89
315	PPC - Reconciliation		-	20,000.00	2.19
320	Share of Cost (SOC) Reconciliation *	21,738.82	8.02	(43,990.40)	(4.83)
325	HCBS Placement Reconciliation *		-	-	-
330	HIV-AIDS /Supplement		-	-	-
335	Other AHCCCS Revenue (Report #4)		-	-	-
	Subtotal AHCCCS Revenue	8,933,373.36	3,295.23	35,268,358.18	3,868.42
					-
350	Investment Income *	34,428.25	12.70	170,442.84	18.70
360	Third Party Liability Recoveries	5,949.84	2.19	5949.84	0.65
370	Patient Contributions (MSOC)	4,818.88	1.78	23,575.03	2.59
380	Other Non-AHCCCS Income (Report #4)	1,987.50	0.73	8,018.50	0.88
	Subtotal Non-AHCCCS Revenue	47,184.47	17.40	207,986.21	22.81
	TOTAL REVENUES	8,980,557.83	3,312.64	35,476,344.39	3,891.23
Institutional Care Expenses:					
400	NF ICF & Bedholds	2,137,179.85	788.34	9,254,772.96	1,015.11
402	Level I	1,255,936.70	463.27	4,605,710.14	505.18
404	Level II	334,880.53	123.53	1,098,386.18	120.48
406	Level III	193,991.13	71.56	618,719.56	67.86
408	Institutional Care	133,536.34	49.26	393,841.63	43.20
410	PPC Institutional	28,678.28	10.58	158,695.88	17.41
412	Other Institutional Care (Report #4)		-	-	-
	TOTAL INSTITUTIONAL CARE	4,084,202.83	1,506.53	16,130,126.35	1,769.24
Home & Community Bases Services (HCBS)Expenses:					
414	Home Health Nurse	83,783.18	30.90	331,120.18	36.32
416	Home Health Aide		-	-	-
418	Personal Care	36,539.50	13.48	79,246.87	8.69
420	Homemaker	12,261.26	4.52	75,129.98	8.24
422	Home Delivered Meals	21,284.04	7.85	94,572.99	10.37
424	Respite Care	7,273.32	2.68	13,998.45	1.54
426	Attendant Care	1,238,172.97	456.72	4,888,778.01	536.23
428	Assisted Living Home	222,487.41	82.07	657,568.22	72.13
429	Assisted Living Center	153,029.06	56.45	736,545.62	80.79
430	Adult Day Health		-	-	-
432	Adult Foster Care	35,719.99	13.18	253,839.17	27.84
434	Group Respite		-	-	-
436	Hospice		-	-	-
438	Environmental Modifications	(916.73)	(0.34)	21,401.12	2.35
443	PPC HCBS	5,776.11	2.13	19,018.45	2.09
444	Other HCBS Costs (Report #4)	76,159.75	28.09	323,521.29	35.49
	TOTAL HCBS	1,891,569.86	697.74	7,494,740.35	822.06
Acute Care Expenses:					
448	Inpatient Services (Hosp.)	541,022.56	199.57	1,476,875.02	161.99
450	Primary Care Physician Services	89,377.25	32.97	374,361.14	41.06
452	Referral Physician Services	134,550.68	49.63	508,984.28	55.83
454	Emergency Services	65,195.34	24.05	293,222.52	32.16
456	Out Patient Facility	22,357.30	8.25	110,221.67	12.09
458	Prescription Drug	123,322.40	45.49	589,926.83	64.71
460	Lab/Radiology	42,286.10	15.60	163,577.02	17.94
462	Durable Medical Equipment	80,575.21	29.72	497,143.38	54.53
464	Dental	7,816.66	2.88	33,861.31	3.71
466	Transportation	198,085.49	73.07	826,719.70	90.68
468	Therapies	33,123.14	12.22	143,473.23	15.74
470	Outpatient Behavioral Health	29,773.02	10.98	118,919.08	13.04

**Program Contractor**  
**Quarter Ending**  
**Fiscal Year Ending**

**COCHISE HEALTH SYSTEMS**  
**06/30/10**  
**06/30/10**

Account #	Account Description	CURRENT QUARTER		YEAR TO DATE	
		Total Amount	Total PMPM	Total Amount	Total PMPM
471	PPC Acute Care	5,884.08	2.17	25,610.91	2.81
472	Other Accute Care Costs (Report #4)	42,134.63	15.54	192,133.35	21.07
	<b>TOTAL ACUTE CARE</b>	<b>1,415,503.86</b>	<b>522.13</b>	<b>5,355,029.44</b>	<b>587.37</b>
	Other Medical Expenses:				
477	PPC - Other	-	-	-	-
479	Other Medical (Report #4)	1,537.20	0.57	95,383.78	10.46
	<b>TOTAL OTHER MEDICAL</b>	<b>1,537.20</b>	<b>0.57</b>	<b>95,383.78</b>	<b>10.46</b>
480	Case Management	300,779.83	110.95	1,233,134.76	135.26
	<b>TOTAL MEDICAL EXPENSE:</b>	<b>7,693,593.58</b>	<b>2,837.92</b>	<b>30,308,414.68</b>	<b>3,324.38</b>
	Administrative Expenses:*				
484	Compensation	358,750.61	132.33	1,525,465.10	167.32
488	Data Processing	36,000.00	13.28	230,991.88	25.34
490	Management Fees		-	-	-
492	Interest Expense		-	-	-
493	Occupancy	2,372.78	0.88	19,615.06	2.15
494	Marketing		-	-	-
495	Depreciation	3,664.35	1.35	14,965.46	1.64
496	Other Administration (Report #4)	757,702.18	279.49	1,252,153.29	137.34
	<b>TOTAL ADMINISTRATION</b>	<b>1,158,489.92</b>	<b>427.33</b>	<b>3,043,190.79</b>	<b>333.79</b>
	<b>TOTAL EXPENSE</b>	<b>8,852,083.50</b>	<b>3,265.25</b>	<b>33,351,605.47</b>	<b>3,658.18</b>
	<b>INCOME FROM OPERATIONS</b>	<b>128,474.33</b>	<b>47.39</b>	<b>2,124,738.92</b>	<b>233.05</b>
497	Non-Operating Income (Loss)	-			
	<b>INCOME(LOSS) BEFORE TAXES</b>	<b>128,474.33</b>	<b>47.39</b>	<b>2,124,738.92</b>	<b>233.05</b>
498	Provision for Premium Taxes	180,701.00	66.65	730,446.59	80.12
499	Provision for Income Taxes	-			
	<b>NET INCOME(LOSS) AFTER TAXES</b>	<b>(52,226.67)</b>	<b>(19.26)</b>	<b>1,394,292.33</b>	<b>152.93</b>
	<b>CHANGES TO EQUITY/NET ASSETS:</b>				
530	Equity/Net Assets at Beginning of Period	9,680,999.55	3,571.01	9,634,480.55	1,056.76
505	Preferred Stock		-		-
510	Common Stock		-		-
515	Treasury Stock		-		-
520	Unrestricted Net Assets		-		-
525	Restricted Net Assets		-		-
527	Increase(Decrease) in Add'l Paid-in Capital		-		-
528	Increase(Decrease) in Contributed Capital		-		-
530	Increase(Decrease) in R/E Fund Balance		-		-
	<b>A. Net Income (Loss)</b>	<b>(52,226.67)</b>	<b>(19.26)</b>	<b>1,394,292.33</b>	<b>152.93</b>
	<b>B. Dividends to Stockholders</b>		-	<b>(1,400,000.00)</b>	<b>(153.56)</b>
	<b>C. Other: specify</b>		-		-
530	Equity/Net Assets at End of Period:	9,628,772.88	3,551.74	9,628,772.88	1,056.13

## Program Contractor Financial Reporting Systems - Report #3 Investments and Balance Sheet "Other Account" Details

## Program Contractor Cochise Health Systems

Quarter Ending 06/30/10

Fiscal Year Ending 06/30/10

## Investments

Investment Description	Category	Type	Amortized Cost	Market Value	Carrying Value
<b>Account: 110 - Short-Term Investments</b>					
		Bond/Note			
		Stock			\$ -
	Subtotal:		\$ -	\$ -	\$ -
<b>Account: 145 - General Performance Bond</b>					
		Bond/Note			\$ -
	Subtotal:		\$ -	\$ -	\$ -
<b>Account: 155 - Long-Term Investments</b>					
		Bond/Note			
		Stock			
		Mutual Fund			
	Subtotal:		\$ -	\$ -	\$ -
	Total:		\$ -	\$ -	\$ -

## Other Assets

<b>Account: #135 - Other Current Receivables</b>		
SOC Reconciliation		\$ (22,451.39)
	Subtotal:	\$ (22,451.39)
<b>Account: #140 - Other Current Assets</b>		
ACH		\$ 20,000.00
	Subtotal:	\$ 20,000.00
<b>Account: #165 - Other Non - Current Assets</b>		
	Subtotal:	
<b>Account: #190 - Other Property and Equipment</b>		
Vehicles		\$ 113,614.19
	Subtotal:	\$ 113,614.19
	Total:	\$ 111,162.80

## Other Liabilities

<b>Account: #225 - Other Current Payables</b>		
HCBS Reconciliation		\$ 109,229.54
	Subtotal:	\$ 109,229.54
<b>Account: #240 - Other Current Liabilities</b>		
Other Medical Liabilities Bonus Pool		\$ 40,000.00
	Subtotal:	\$ 40,000.00
<b>Account: #255 - Other Non - Current Liabilities</b>		
	Subtotal:	\$ -
	Total:	\$ 149,229.54

## Long Term Debt

<b>Account: #230 - Current Portion of Long Term Debt</b>		
		\$ -
	Subtotal:	\$ -
<b>Account: #245 - Non-Current Portion of Long Term Debt</b>		
		\$ -
	Subtotal:	\$ -
	Total:	\$ -

## Program Contractor Financial Reporting Systems - Report #4 Income Statement "Other Account" Details

## Program Contractor COCHISE HEALTH SYSTEMS

Quarter Ending 06/30/10

Fiscal Year Ending 06/30/10

## Other Revenue

<b>Account: #335 - Other AHCCCS Revenue</b>	
Subtotal:	-
<b>Account: #380 - Other Non-AHCCCS Revenue</b>	
Group Health Trust	1,987.50
Subtotal:	1,987.50
Total :	1,987.50

## Other Expenses

<b>Account: #412 - Other Institutional Care Expense</b>	
	-
Subtotal:	-
<b>Account: #444 - Other HCBS Costs</b>	
HCBS Recon.	29,767.11
Sheltered Employment/Habilitation CC	12,953.39
Adult Day Care	1,008.00
DDD Group Home	27,805.25
Other	4,626.00
Subtotal:	76,159.75
<b>Account: #472 - Other Acute Care Costs</b>	
Dialysis	42,134.63
Other Medical	-
Subtotal:	42,134.63
<b>Account: #479 - Other Medical Expense</b>	
Vent	1,537.20
Subtotal:	1,537.20
<b>Account: #496 - Other Administrative Expense</b>	
Office Supplies	\$ 4,846.55
Telephone	\$ 2,958.75
Postage	\$ 3,328.82
Printing	\$ 379.80
Equip lease	\$ 3,904.26
Minor equipment	\$ 361.26

## Program Contractor COCHISE HEALTH SYSTEMS

Quarter Ending 06/30/10

Fiscal Year Ending 06/30/10

A - INSTITUTIONAL PAYMENTS									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
←-----QUARTER IN WHICH SERVICE PROVIDED-----→									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR*	TOTAL
1	CURRENT	2,697,078	1,497,139	3,139	2,491	-	-	-	4,199,846
2	1ST PRIOR		2,545,019	1,435,841	9,859	145	-	-	3,990,865
3	2ND PRIOR			2,658,492	1,450,126	2,310	321	-	4,111,249
4	3RD PRIOR				2,750,433	1,854,714	23,738	1,536	4,830,422
5	4TH PRIOR					2,233,822	1,404,492	16,084	3,654,399
6	5TH PRIOR						2,461,429	1,424,412	3,885,841
7	6TH PRIOR							2,546,677	2,546,677
8	TOTALS	2,697,078	4,042,158	4,097,472	4,212,909	4,090,991	3,889,981	3,988,709	27,019,298
9	EXP.REPORTED	4,084,203	3,870,875	3,860,668	4,314,380	4,126,483	4,204,909	3,863,922	28,325,440
10	ADJUSTMENT	418,460	312,530	(133,948)	471,030	(788,490)	(174,839)	53,261	158,003
11	REMAINING LIABILITY	1,805,584	141,247	(370,752)	572,501	(752,998)	140,089	(71,525)	\$ 1,464,144.90

B - HCBS PAYMENTS									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
←-----QUARTER IN WHICH SERVICE PROVIDED-----→									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR*	TOTAL
1	CURRENT	661,544	657,860	108,691	3,676	-	-	-	1,431,772
2	1ST PRIOR		750,401	794,825	147,710	692	-	-	1,693,628
3	2ND PRIOR			784,193	918,367	81,746	8,493	-	1,792,798
4	3RD PRIOR				725,607	943,258	164,800	19,317	1,852,982
5	4TH PRIOR					835,763	1,190,733	77,873	2,104,370
6	5TH PRIOR						938,833	1,087,332	2,026,164
7	6TH PRIOR							1,101,226	1,101,226
8	TOTALS	661,544	1,408,261	1,687,709	1,795,360	1,861,459	2,302,859	2,285,747	12,002,940
9	EXP.REPORTED	1,891,570	1,853,239	1,686,972	2,029,931	1,850,289	3,237,160	2,742,770	15,291,931
10	ADJUSTMENT	(238,161)	318,258	(990,219)	(113,051)	(15,392)	(771,505)	(417,278)	(2,227,347)
11	REMAINING LIABILITY	991,865	763,236	(990,956)	121,520	(26,562)	162,796	39,744	\$ 1,061,643.84

C - ACUTE PAYMENTS									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
←-----QUARTER IN WHICH SERVICE PROVIDED-----→									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR*	TOTAL
1	CURRENT	602,816	654,859	90,724	13,468	-	-	-	1,361,867
2	1ST PRIOR		577,811	746,139	89,808	50,994	-	-	1,464,752
3	2ND PRIOR			595,693	758,474	104,516	32,326	-	1,491,009
4	3RD PRIOR				491,941	571,388	98,774	23,037	1,185,141
5	4TH PRIOR					534,396	643,445	82,382	1,260,223
6	5TH PRIOR						768,049	629,037	1,397,086
7	6TH PRIOR							630,638	630,638
8	TOTALS	602,816	1,232,671	1,432,556	1,353,692	1,261,294	1,542,595	1,365,093	8,790,716
9	EXP.REPORTED	1,415,504	1,250,259	1,541,063	1,113,405	633,061	1,557,721	1,385,126	8,896,139
10	ADJUSTMENT	14,645	652,354	(206,076)	185,382	(56,317)	11,923	273,485	875,394
11	REMAINING LIABILITY	827,333	669,942	(97,569)	(54,905)	(684,550)	27,049	293,518	\$ 980,816.94

D - OTHER MEDICAL PAYMENTS									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
←-----QUARTER IN WHICH SERVICE PROVIDED-----→									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR*	TOTAL
1	CURRENT								
2	1ST PRIOR								
3	2ND PRIOR								
4	3RD PRIOR								
5	4TH PRIOR								
6	5TH PRIOR								
7	6TH PRIOR								
8	TOTALS								
9	EXP. REPORTED								
10	ADJUSTMENT								
11	REMAINING LIABILITY								

\*Amounts in the 6th prior column or row include the amounts for the 6th prior period, and any earlier periods.

Program Contractor COCHISE HEALTH SYSTEMS

Quarter Ending 06/30/10

Fiscal Year Ending 06/30/10

Utilization Data Report for Contractor

ITEM DESCRIPTION	MEDICARE		NON-MEDICARE		TOTAL	
	Current Period	YTD	Current Period	YTD	Current Period	Contract YTD
A. Enrollees (At End of Period)	796		106	-	902	
B. Member Months (Unduplicated) Prospective Only	2,391	7,233	320	951	2,711	8,184
Institutional Member Months Total	1,006	3,008	74	215	1,080	3,223
1. Level 1	535	1,640	36	92	571	1,732
2. Level 2	294	860	9	42	303	902
3. Level 3	38	106	12	42	50	148
4. Specialty: Wandering Dementia	67	180	1	1	68	181
5. Specialty: SubAcute Medical	7	19	-	-	7	19
6. Specialty: Behavioral Health	40	123	14	32	54	155
7. Specialty: Respite Care	25	80	2	6	27	86
9. Home and Community Based Services (HCBS) Total	1,362	4,171	239	720	1,601	4,890
a. Adult Foster Care	12	29	-	5	12	34
b. Assisted Living Home	153	446	6	18	159	464
c. Group Home (DD)	3	9	-	-	3	9
d. Individual Home	1,087	3,346	218	662	1,305	4,007
e. Assisted Living Center	98	311	9	23	107	334
f. Other (Specify) Group Home	9	30	6	12	15	42
10. Acute Care	18	38	7	11	25	49
11. Ventilator	-	-	-	-	-	-
12. PPC	3	26	-	3	3	29
13. Other (Specify)	5	16	-	6	5	22
Admissions	147	449	25	83	172	532
Patient Days	939	3,100	223	761	1,162	3,861
Discharges	145	461	28	85	173	546
Discharge Days	900	3,103	235	799	1,135	3,902
Average Length of Stay	6.39	6.90	8.92	9.17	6.76	7.26
Emergency Room Visits	154	453	28	93	182	546

## FQHC/RHC REASONABLE COST REIMBURSEMENT MEMBER MONTHS

HEALTH PLAN:

Cochise Health Systems

6.1.8

QUARTER ENDING:

6/30/2010

FQHC	Categorical			Categorical Linked Expansion		Federal Non-Categorical Linked Expansion AC/MED	Federal Non-Categorical Linked Conversion AC/MED	ALTCS/ DD	Total
	SOBRA/	AFDC	SSI	SOBRA/ AFDC	SSI				
Chiricahua Community Health Center								131.46	131.46
Clinica Adelante, Inc									0
Copper Queen Health Center								311.26	311.26
Community Health Center of West Yavapai									0
Community Health Care of Douglas								88.09	88.09
Copper Queen Health Center									0
Desert Senita Community Health Center (formerly Ajo Community Health Center)									0
El Rio Health Center									0
Canyonlands Community Health Center									0
Marana Community Health Center									0
Maricopa Integrated Health Systems Clinics									0
Mariposa Community Health Center (Family Health Center)									0
Mountain Park Community Health Center									0
Morenci Health Care Center								28.25	28.25
Northern Cochise Community Hospital									0
North Country Community Health Center									0
Sun Life Family Health Center									0
Sunset Community Health Center (formerly Valley Health Center)									0
Superior Clinic (as Cobre Valley Hospital)									0
United Community Health Center									0
Lake Powell Community Health Center									0
Inter-Tribal Health Center									0
Native American Community Health Center									0
Native Americans for Community Action									0
Total Member Months	0	0	0	0	0	0	0	559.06	559.06

### Instructions:

Please provide quarterly capitation and/or FFS payments for each FQHC/RHC. Do not report any payments for KidsCare, HIFA or SSDI-TMC members.

Health Plans and Program Contractors will be responsible for maintaining a detailed listing, by month, of members submitted. Listing should include member's name, AHCCCS ID#, primary care physician, FQHC assigned to, rate code and payments. This list may be subject to AHCCCS review.

A current listing of the contracted FQHCs and RHCs can be found on the website at the following link:  
[http://www.ahcccs.state.az.us/PlansProviders/FQHC\\_RHC/FQHC\\_RHC.asp](http://www.ahcccs.state.az.us/PlansProviders/FQHC_RHC/FQHC_RHC.asp)



## FQHC/RHC REASONABLE COST REIMBURSEMENT EXPENDITURES PAID

HEALTH PLAN:

Cochise Health Systems

6.1.8A

QUARTER ENDING:

6/30/2010

FQHC	Categorical			Categorical Linked Expansion		Federal Non-Categorical Linked Expansion AC/MED	Federal Non-Categorical Linked Conversion AC/MED	ALTCS/ DD	Total
	SOBRA/	AFDC	SSI	SOBRA/ AFDC	SSI				
Chiricahua Community Health Center								903.76	\$ 903.76
Clinica Adelante, Inc									\$ -
Community Health Care of Douglas								3069.94	\$ 3,069.94
Community Health Center of West Yavapai									\$ -
Copper Queen Health Center								14072.56	\$ 14,072.56
Desert Senita Community Health Center (formerly Ajo Community Health Center)									\$ -
El Rio Health Center									\$ -
Canyonlands Community Health Center									\$ -
Marana Community Health Center									\$ -
Maricopa Integrated Health Systems Clinics									\$ -
Mariposa Community Health Center (Family Health Center)									\$ -
Morenci Health Care Center								477.78	\$ 477.78
Mountain Park Community Health Center									\$ -
Northern Cochise Community Hospital									\$ -
North Country Community Health Center									\$ -
Sun Life Family Health Center									\$ -
Sunset Community Health Center (formerly Valley Health Center)									\$ -
Superior Clinic (as Cobre Valley Hospital)									\$ -
United Community Health Center									\$ -
Lake Powell Community Health Center									\$ -
Inter-Tribal Health Center									\$ -
Native American Community Health Center									\$ -
Native Americans for Community Action									\$ -
Total Member Months	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,524.04	\$ 18,524.04

### Instructions:

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## LISTING OF PLAN OFFICERS AND DIRECTORS

### STATEMENT AS OF JUNE 30, 2010 OF COCHISE HEALTH SYSTEMS

<u>Name, Title</u>	<u>Other Relationship to Plan</u>	<u>Type of Compensation (if applicable)</u>
Mary Gomez, Director	None	Salary
Dr. Rhema Sayers, M.D., Medical Director	None	Salary, as used
Richard Searle, Cochise County Board of Supervisors	None	None
Pat Call, Cochise County Board of Supervisors	None	None
Ann English, Cochise County Board of Supervisors	None	None

Note: Type of compensation may include, but is not limited to, salary, contract, director's fees, bonuses, etc.